

Message Text

LIMITED OFFICIAL USE

PAGE 01 HONG K 03627 012349Z

64

ACTION EA-14

INFO OCT-01 ISO-00 EUR-25 PM-07 NSC-07 SPC-03 SS-20 RSC-01

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01

EB-11 COME-00 TRSE-00 OMB-01 NIC-01 INT-08 SAJ-01

SAB-01 DRC-01 /132 W

----- 044084

R 010830Z APR 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 181

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY BONN

USLO PEKING

LIMITED OFFICIAL USE HONG KONG 3627

E.O. 11652: N/A

TAGS: ETRD PINT CH JA GW

SUBJECT: PRC PURCHASES WEST GERMAN STEEL MILL

REF: PEKING 376

SUMMARY: THE PRC HAS SIGNED A CONTRACT WITH THREE WEST GERMAN FIRMS FOR THE PURCHASE OF A STEEL MILL VALUED AT \$198 MILLION. DESPITE THE CURRENT POLITICAL CAMPAIGN IN CHINA, THE CONTRACT CALLS FOR THE STATIONING OF WEST GERMAN TECHNICIANS IN TROUBLED WUHAN. THIS PROVISION FOR FOREIGN TECHNICAL SUPERVISORS LEADS TO THE SUPPOSITION THAT PRC OFFICIALS STILL FEEL THAT CONDITIONS WILL PERMIT THEIR ENTRY ROUGHLY ON SCHEDULE. END SUMMARY.

1. AFTER MORE THAN A YEAR OF NEGOTIATIONS, CHINA HAS SIGNED A CONTRACT WITH THREE WEST GERMAN FIRMS, DEMAG, SCHLOEMANN ANS SIEMAG, FOR THE PURCHASE OF A ONE MILLION TON PER YEAR CAPACITY COLD PROCESS STEEL ROLLING MILL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 HONG K 03627 012349Z

VALUED AT \$198 MILLION. THE MILL WILL BE BUILT IN

WUHAN AND BEGIN PRODUCTION IN 1977 (PEKING REUTERS, 3/28/74).
IN CONFIRMING THE PRESS REPORT, A HK GERMAN CONGENOFF
ADDED THAT "FOR ALL PRACTICAL PURPOSES THE CONTRACT CALLED
FOR PAYMENT IN CASH." THE WEST GERMANS WERE AWARDED THE
CONTRACT AFTER RISING MATERIAL COSTS FORCED JAPAN'S KAWASAKI
STEEL CORP. TO WITHDRAW FROM NEGOTIATIONS WITH THE PRC
(HK 759).

2. WHEN COMPLETED, THE MILL WILL BE COUPLED WITH A
3 MILLION
TON PER YEAR CAPACITY HOT PROCESS ROLLING MILL
TO BE SUPPLIED BY JAPAN'S NIPPON STEEL CORP. ACCORDING
TO A HK JAPANESE CONGEN SOURCE, AGREEMENT HAS BEEN
REACHED IN PRINCIPLE ON A \$250 MILLION (YEN 70 BILLION)
PURCHASE PRICE AND THE CONTRACT IS EXPECTED TO BE SIGNED
IN MAY. AT THIS PRICE, NIPPON SAYS IT WILL SELL AT A LOSS,
BUT THE SETTLEMENT IS LIKELY TO BE MADE IN YEN AND THUS
ADDITIONAL LOSSES FROM EXCHANGE FLUCTUATIONS WILL BE
BORNE BY THE PRC.

3. IN FIRST QUARTER 1974, PRC COMPLETE PLANT PURCHASES
HAVE CONTINUED AT A RATE SIMILAR TO THE SAME PERIOD
IN 1973. TO DATE CHINA HAS PURCHASED 11 PLANTS VALUED
AT \$404 MILLION. IN ADDITION TO THE STEEL MILL, CONGEN
IS AWARE OF THE FOLLOWING CONTRACTS:

(A) C. ITOH, TOHO TITANIUM AND KOSHO CATALYST
PLANT FOR POLYPROPYLENE POLYMERIZATION, \$4.6 M,
JAN.;
(B) S.N.A.M. PROGETTI, POLYPROPYLENE PLANT,
\$15 M, JANUARY (STATE 7992);
(C) TEIJIN, POLYESTER FIBER PLANT, \$17 M, FEB.;
(D) HEURTEY-INDUSTRIE, THREE AMMONIA AND THREE UREA
PLANTS, \$120 M, FEB.;
(E) COMPAGNIE ELECTROMECHANIQUE, 300 MGW POWER
PLANT, \$50 M, MARCH (PEKING 413).

4. THIS RATE OF PLANT PURCHASES IS MOST IMPRESSIVE CON-
SIDERING THE HESITANCY OF SOME JAPANESE FIRMS TO ENTER
INTO PRICE NEGOTIATIONS BECAUSE OF RISING MATERIALS COSTS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 HONG K 03627 012349Z

(HK 1109). ACCORDING TO JAPANESE CONGENOFF, INFLATION-
INDUCED PRICE INCREASES HAVE MADE IT DIFFICULT FOR
JAPANESE FIRMS TO MEET THE LOW PRICES REQUESTED BY
CHINESE NEGOTIATORS. ONCE PRICES IN JAPAN STABILIZE,
HOWEVER, THESE FIRMS WILL RETURN TO SERIOUS NEGOTIATIONS.

5. IN VIEW OF THE CURRENT POLITICAL CAMPAIGN IN CHINA,
ONE ASPECT OF THE NEW STEEL MILL CONTRACT MERITS

SPECIAL NOTICE. ACCORDING TO PRESS REPORTS, THE AGREEMENT CALLS FOR THE STATIONING OF WEST GERMAN TECHNICIANS IN WUHAN TO SUPERVISE CONSTRUCTION. A NUMBER OF JAPANESE TECHNICIANS WILL ALSO BE REQUIRED FOR CONSTRUCTION OF THE NIPPON STEEL MILL. SINCE JANUARY, THERE HAVE BEEN SEVERAL REPORTS OF CIVIL DISTURBANCES IN WUHAN RESULTING FROM THE CAMPAIGN AND RECENTLY IT MAY HAVE BEEN CLOSED TO VISITS BY FOREIGNERS (HK-3587).

6. THE PRESENCE OF LARGE NUMBER OF FOREIGN TECHNICIANS IS ALSO REQUIRED BY PLANT CONTRACTS SIGNED LAST YEAR. FOR EXAMPLE, A TEAM OF SEVERAL HUNDRED FRENCH TECHNICIANS IS TO OVERSEE CONSTRUCTION OF A 16-PLANT PETROCHEMICAL COMPLEX SAID TO BE LOCATED AT FUSHUN IN LIAONING.

7. FOREIGN COMMUNITIES OF THIS SIZE HAVE NOT EXISTED OUTSIDE PEKING SINCE THE WITHDRAWAL OF SOVIET TECHNICIANS IN THE EARLY 1960'S. ALTHOUGH THE CHINESE WILL PROBABLY MAKE EVERY ATTEMPT TO ISOLATE THE NEWCOMERS AS THEY DID THE SOVIETS, THESE FOREIGN COMMUNITIES ARE BOUND TO MAKE AN IMPRESSION ON THEIR CHINESE NEIGHBORS.

CROSS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, STEEL PLANTS, NEGOTIATIONS, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HONGK03627
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740072-0546
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740478/aaaactou.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: PEKING 376
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2002 by elyme>; APPROVED <31 JUL 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRC PURCHASES WEST GERMAN STEEL MILL
TAGS: ETRD, PINT, CH, JA, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005